

Dawson City Council Minutes

May 2, 2017

5:30 p.m.

The Dawson City Council met in regular session on Tuesday, May 2, 2017, at 5:30 p.m. in the City Council Chambers.

Councilpersons present: Steve Tufto, Becky Bothun, Jeff Olson, Dave Lien, Al Tufto and Charlie Prestholdt.

Councilpersons absent: None.

Others present: Mayor Randy Tensen, City Manager Tami Schuelke-Sampson, City Clerk Treasurer Kristi Kvaal, Payroll/Utility Billing Clerk Jill Kemen, City Attorney Rick Stulz, Maintenance Superintendent Brent Powers, Dawson Sentinel Editor Dave Hickey, Liquor Store Manager Garney Jager, Emily Polzine, Rebecca Anderson, Duane Kruger, Kevin Brent, Lee Gunderson, Pete Strand, Maurice Schacherer, Darlene Noyes, George Thesing, Marilee Jager, Justin Jager, Melva Larson, Gene Jager, Dave Pederson, Kristyn Wicht, Collette Berglund, Jerome Schuelke, Lavonne Schuelke, Nichole Jager, Steve Farmen, and LeRoy Mamer.

Declaring a quorum, Mayor Tensen called the meeting to order and the group repeated the Pledge of Allegiance to the Flag.

Mayor Tensen asked for approval of the agenda with no changes. On motion by Councilman Lien seconded by Councilman Olson to approve the agenda with no changes. Voting in favor: S. Tufto, Bothun, Olson, Lien, A. Tufto and Prestholdt; voting against: none; absent: none. Motion carries.

On motion by Councilman Olson seconded by Councilman S. Tufto to approve the Consent Agenda Items #4 and #13, Approval of the April 4th Council Meeting Minutes, April Bills Paid and First Quarter Financials. Voting in favor: S. Tufto, Bothun, Olson, Lien, A. Tufto and Prestholdt; voting against: none; absent: none. Motion carries.

Mayor Tensen opened the 10 minute public forum. Dawson-Boyd Athletic Director Kevin Brent was present and addressed the Council concerning the potential closing of the Dawson Liquor Store. He stated that in the past the Liquor Store had contributed to various school projects including the football field renovation project, the press box and the weight room; and he would hate to lose the community support if the store should close. He referenced a similar situation which occurred in Renville, where the City voted to close their liquor store. He stated that members of that community regretted the decision. He strongly suggested trying to restructure store operations in an effort to show a profit. JM Foundation member Marilee Jager also spoke in support of the Liquor Store, indicating that money raised from the annual wine tasting event went to support the cancer suite at Johnson Memorial Health Services. JM Ambulance and Board Member George Thesing noted that the donations from the Liquor Store have been significant

and as a business owner he feels that a lot of the funding would not be put back into the community if the store was privately owned.

Melva Larson inquired as to how the situation got to this point. Councilman Olson stated that due to GASB (Governmental Accounting Standards Board) the Liquor Store is losing money. It was an accounting change implemented by the State of Minnesota. Melva then asked how the Liquor Store was able to still donate money to the community. Councilman Lien stated that the issue will be discussed later in the meeting, indicating Attorney Stulz will offer up his advice on the matter. Attorney Stulz stated that he put all his findings in the memo which was given to Council. Councilman Olson suggested holding back all further discussions until the public hearing. Hearing no further comments, Mayor Tensen closed the public forum.

Mayor Tensen asked City Manager Schuelke-Sampson to explain the Resolution Supporting Local Decision-Making Authority. Schuelke-Sampson stated that she received the resolution asking small cities throughout the state to support local decision-making authority and oppose legislation that would take away that authority. On motion by Councilman Prestholdt seconded by Councilman A. Tufto to approve the Resolution Supporting Local Decision-Making Authority. Voting in favor: S. Tufto, Bothun, Olson, Lien, A. Tufto and Prestholdt; voting against: none; absent: none. Motion carries.

Mayor Tensen asked for approval of the Lincoln Pipestone Rural Water System Water Supply Agreement. Councilman Prestholdt asked Maintenance Superintendent Brent Powers about the number of gallons needed by LPRW, indicating we need to make sure we keep enough water available to the residents and businesses of the City of Dawson. Powers indicated that he has contacted the DNR and asked for a permit for an additional 60,000,000 gallons. Right now the permit is for 130,000,000 gallons. Currently we are pumping approximately 150,000 gallons/day. Councilman Olson indicated that the City is nowhere near capacity, which is approximately 750,000 gallons/day at the Water Treatment Plant. On motion by Councilman Olson seconded by Councilman S. Tufto to approve the LPRW System Water Supply Agreement. Voting in favor: S. Tufto, Bothun, Olson, Lien, A. Tufto and Prestholdt; voting against: none; absent: none. Motion carries.

At 5:45 p.m. Mayor Tensen opened the Public Hearing regarding the Dawson Liquor Store Operations.

Kevin Brent spoke again to the Council and asked for clarification with regard to the accounting standards implemented by the State of Minnesota and their impact on the Liquor Store operations. Discussion. Attorney Stulz explained that the determination as to whether or not the Liquor Store is operating in the red or black is done before any transfers out of the fund. Kevin then asked if the Council had explored other options. Councilman Prestholdt stated that the Council has been dealing with this issue since last November, at which time it was decided to start the wind down process. After the public hearing, the Council will need to decide whether to

rescind that motion to put the matter to a public vote. Attorney Stulz explained that the City could not sell the Liquor Store, just the building. When the Liquor Store operates at a loss, tax dollars are needed to help fund it. The State is pushing for cities to no longer operate these types of businesses, which could be privately owned. Melva Larson asked if the taxpayers had ever paid anything toward the Liquor Store, to which Stulz replied no. Marilee Jager asked when the depreciation would come off the books. Discussion.

Councilman Lien stated that the Liquor Store has lost money two years in a row. He explained that since the Liquor Store is an enterprise fund the Council needed to take action or the result could have been detrimental to the City. The Council voted to start the wind down process, which can take up to 30 months, and allow time for the Council to decide whether to put the matter to a public vote. The Council felt this was their best option. Liquor Store Manager Jager responded by stating that according to his interpretation of the state statute, the Council has the sole authority and can choose to operate the store at a loss. The State will not shut it down. Councilman Prestholdt asked Jager how much money the store had donated in the last three years. Jager stated that between 1975-1995 it was \$115,000; in 2005 there was a \$100,000 transfer to the operating fund and in 2014 a \$30,000 transfer to the operating fund. Two years ago we donated \$10,000 to the school for the football field.

Kevin Brent stated that he felt it sent the wrong message about the community of Dawson if we choose to close a small business, and urged the Council to keep the store open. Discussion. Dave Pederson questioned what kind of a negative affect it would have for the City. City Manager Schuelke-Sampson stated that it would have an effect if the store continues to run at a negative. Attorney Stulz explained that the auditors look at the numbers differently and stated that the decision to continuously operate a liquor store that is losing money can negatively affect the City's bond rating. The State looks at these businesses as non-essential, unlike a swimming pool, which could not operate on its own without funding. The State would rather see liquor stores run by the private sector.

Jager added that by maintaining ownership of the liquor store, the City has control over the sale of alcohol, indicating that his employees are trained to be compliant with State laws. Councilman Prestholdt asked if Garney could achieve more buying power by pairing with other smaller liquor stores, to which Jager replied he already does that. Jager stated that with the reduced hours and Sunday liquor sales, he hopes to show a profit for 2017. Lee Gunderson asked about the hours of operation at the Madison Liquor Store. Liquor Store employee Emily Polzine stated that they are open from noon – 8. Polzine added that there are people who come to the Dawson Liquor Store between 8 p.m. and 10 p.m. after Madison and Montevideo have closed. Discussion.

Kevin Brent asked about the next step in the process. Councilman S. Tufto stated that the Council will need to discuss the matter further. Attorney Stulz stated that should the store close, the City will need to determine how to structure the sale of alcohol such as the number of liquor licenses it would issue. Stulz added that there would also be additional tax revenue.

Collette Berglund asked if there was anyone interested in the purchase of the liquor store, to which Councilman Prestholdt replied that he had only heard rumors. Councilman Lien stated that he understands that the people present want to support the Liquor Store, but added that he hears from a number of people who represent the other side of the issue. He stated that the City Council needs to look out for the best interest of the City, and cautioned that this could affect the City's bond rating during the next street project. He has heard comments from several residents and non-residents that the prices at the Liquor Store are too high. He recently was contacted by an individual who paid \$8 more for a case of beer compared to other liquor stores and indicated that they would no longer shop locally. Jager stated that if people want to support Dawson, they will buy in Dawson. Councilman Lien added that this problem won't go away. More than likely we'll meet again in a year.

Councilwoman Bothun explained that the City needed to follow the law. The decision to start the wind down gave the City 30 months to determine what to do, adding that no one necessarily wants to shut it down. Councilman S. Tufto agreed, stating that without action the auditors could have forced the City to close the doors. Councilman Lien added that the City decided to put the matter to a public vote. Polzine asked if only the people of Dawson would be eligible to vote, to which City Manager Schuelke-Sampson replied yes. Councilman Olson stated that a few years ago the City had the same problem, and we came out of it just fine. Marilee Jager asked about the operation of the City swimming pool, indicating that it does not show a profit. Councilman Olson stated that the pool is not an enterprise fund. Councilman S. Tufto asked if Jager had any foreseeable repairs to the store, to which Jager replied that everything is paid for. Jager added that the decision to operate the Liquor Store is up to the Council. He stated that many cities run at a loss and hold a public hearing every year. Councilwoman Bothun asked Attorney Stulz if he was in agreement with that statement. Attorney Stulz stated that he felt the options were to shut it down or put it to a public vote. As far as continuing with just a public hearing, he didn't agree with that.

Kevin Brent asked the Council if they knew how this decision had impacted other cities. Councilman Olson stated that he had talked with residents of the City of Canby. They said it wasn't all good or all bad. They get their income from property tax. With no further comments, Mayor Tensen closed the public hearing at 6:15 p.m.

Councilman A. Tufto made the motion to rescind the previous motion to start the wind down process for the Dawson Liquor Store, with a second by Councilman Prestholdt. Councilman Lien stated that he sided with Attorney Stulz on the matter, and recommended that the Council wait until Stulz had reviewed the state statute. Councilman Prestholdt commented that he didn't want to have to discuss this issue every year, but added that he didn't think a \$1,000 loss would have too much of an effect on the City's bond rating. Councilman A. Tufto withdrew his previous motion. On motion by Councilman Prestholdt seconded by Councilman S. Tufto to table the matter until the first meeting in June to allow time for Attorney Stulz to review the state statute. Jager will provide Stulz with a copy of the letter from the Secretary of State. Voting in

favor: S. Tufto, Bothun, Olson, Lien, A. Tufto and Prestholdt; voting against: none; absent: none.
Motion carries.

The LQP EDA Operations Report was presented. No action required.

Maintenance Superintendent Brent Powers' Report:

1. Powers referenced the Sanitary Survey Report for Dawson Public Water System.
2. Powers stated that they have pulled the shafts and removed the old parts from the clarifier at the Wastewater Plant, indicating some were original since the 1970's.
3. Abatement. Brent inquired as to whether or not the Council will allow citizens to dig up and cap the water and sewer lines to avoid paying the base fees. After consideration, the Council decided against the idea.
4. Powers stated that single phase will work just fine for Lincoln Pipestone Rural Water. Their building will be located in the northwest corner of a section in the industrial park and be approximately 18x20.

Interim City Manager Tami Schuelke-Sampson's Report:

1. EDA Update.
 - A. EDA Update. The Riverview Estates project is still moving forward. Surveying is being done to address the flood plain line.
 - B. The RDC is assisting with the grant writing for the library building. They are currently contacting different architects to finalize different assessments and areas of concern.
 - C. Noah's Ark has contacted Pamela Ellison with the Lac qui Parle County EDA and stated that they plan to remain in Dawson at present and will keep their current work force. Some of their product lines may change however.
 - D. Despite rumors, Bluegrass Proteins is not being sold and plan to continue operations in Dawson at the same capacity.
 - E. Discussion was had on properties that are currently on the delinquent tax list.
2. DSI Small City Grant Update.
 - A. DEED approved the request by DSI to expand the target area north to Hwy 212 and east to First Street. The residential housing units under contract increased by one. An additional ten applications were mailed out to the expanded area; seven residential units are still needed. An additional two commercial applications were mailed. Two businesses are in the process of acquiring bids; one additional commercial unit is needed. Dan is confident the funds will be used before the grant deadline in December.

Council Minutes
May 2, 2017
Page 6

On motion by Councilman Lien seconded by Councilman A. Tufto to adjourn the meeting.
Motion carries and the meeting adjourned at 6:30 p.m.

City Clerk Treasurer Kristi Kvaal

Mayor Randy Tensen